Capital risk
The LLP's primary objective to managing its capital is to ensure that it has capital which is permanent and which is able to absorb any losses arising from an extreme event. The LLP is subject to the capital requirements of the FCA Handbook which sets capital requirements based on the risks assumed by the LLP. The LLP manages its capital by continuous monitoring of the capital requirements ensuring that its capital exceeds these requirements.

Capital adequacy and ICAAP
The FCA's regulatory capital requirements apply to the LLP rather than the LLP and its subsidiaries (the LLP's subsidiaries being immaterial).

The LLP's overall approach to assessing the adequacy of capital is documented in the Internal Capital Adequacy Assessment Process ("ICAAP") documentation. The ICAAP process includes an assessment of all material risks faced by the LLP and the controls in place to identify, manage and mitigate those risks. The risks identified are stress tested against various scenarios to determine the level of capital required.

Where risks can be mitigated by capital the LLP has adopted a "Pillar 1 plus" approach whereby the Pillar 1 capital calculations are assessed. Where the Designated Members consider that the Pillar 1 calculations do not adequately reflect the risks inherent in the business, additional capital has been added at the Pillar 2 level. The most recent ICAAP prepared was as at 31 October 2016 and, as at that date, the LLP's capital requirement as set out in that report was £1.99 million (2015: £1.67 million). The available capital derived from the partnership's balance sheet as at 31 December 2016 was £22.5 million (2015: £22.4 million).

Whilst the ICAAP is formerly reviewed by the Management Board once a year, Senior Management review the risks and the required capital more frequently and will particularly do so when there is a planned change impacting risks and capital or when changes are expected in the business environment potentially impacting the ability to generate income.

Remuneration policy
The firm has been subject to the FCA's Remuneration Code since 1 January 2011. However, a new code applying to Alternative Investment Fund Managers has been issued by the FCA which includes guidance on the proportional application of these new rules. Toscafund's Senior Management have considered the content of this new code and have obtained independent professional advice and have decided that that the rules do not need to be applied. The reasons behind this decision are many but include the fact that the way in which Toscafund collects its fees and the internal investment policy which encourages its staff and partners to invest in its managed funds already aligns its interests with those of its investors. Toscafund is constantly seeking ways to increase this alignment although legislative issues make it increasingly difficult to impose such a policy.

Remuneration policy continued
The Management Board of the LLP (the "Board") is responsible for the allocation of profit which is done on a discretionary basis (within certain guidelines). In deciding on the profit to be allocated to a partner the Board will take into account a number of performance measures including the responsibilities of that individual, their contribution towards the performance of the fund on which they work (in the case of a front office partner) and their contribution towards the overall profitability of the LLP.

For the year ended 31 December 2016 and the previous year the profit was allocated between those twelve (2015: eleven) members materially affecting the LLP's risk profile as follows:

	2016	2015
	£	£
Front office	13,421,266	12,731,714
Back office	3,555,046	4,292,384
	16,976,312	17,024,098

Of the total amount noted above, £12,365,638 (2015: £11,858,280) was allocated to Senior Management.

No severance payments or sign-out bonuses were made in the year.